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ABSTRACT

This survey, collected during February and March 1979, assessed the costs imposed on school districts by the special education needs of the handicapped, especially the costs incurred in response to P.L. 94-142, the Education for All Handicapped Children Act. Usable questionnaires were returned by 261 local school districts (enrolling 11 percent of the total national enrollment) from around the country. Findings included the following: (1) Cost differentials between special education and regular programs will continue to widen. (2) Most school districts must place some handicapped students in instructional settings outside the district's facilities. (3) Small districts must place a larger percentage of handicapped pupils outside the district than do large districts. (4) Local school districts identify federal mandates as the most significant factor contributing to rising special education costs. (5) The cost ratio between the education of the handicapped and regular education is at least two to one. (6) The respondents identified an average of approximately 9 percent of their total enrollment as in need of special education services, with the number ranging from 1 percent to 22 percent. (Author/JM)

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A SURVEY OF SPECIAL EDUCATION COSTS IN LOCAL SCHOOL DISTRICTS

June, 1979

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A SURVEY OF SPECIAL EDUCATION COSTS IN LOCAL SCHOOL DISTRICTS

An Assessment of the Local Impact of the Education for All Handicapped Children Act P.L. 94-142

NATIONAL SCHOOL BOARDS ASSOCIATION
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Preface

Over the past few years, local school districts have made tremendous strides to advance the educational opportunities of the nation's handicapped children. This rapid expansion of special services was greatly accelerated by the enactment of P.L. 94-142. As local school districts have moved toward fulfilling the requirements of that important legislation, they have experienced a period of adjustment to new costs and changed management relationships.

The Office of Federal Relations of the National School Boards Association has been researching the impact of recent developments in special education -- especially in relation to P.L. 94-142. This study, one of a series to be done by the Legislative Section of that Office, focuses on the costs of special education.

The present study, "A Survey of Special Education Costs in Local School Districts," asks rather specific questions which may have direct implications for federal legislative policy. Within the context of our resources, questions are raised, as will probably be raised by NSBA's other studies, which would be better answered by those whose primary work is in this area of research.

Finally, the study has confirmed the informal, although valuable, information that we receive from school districts in our day-to-day contacts. There is a need for more adequate funding for the Education for All Handicapped Children Act, P.L. 94-142. Without this support, we will not be surprised, although we are becoming concerned, to hear of tensions between the school district management who through their school boards are sensitive to the fiscal pressures of the local community, the teachers and diagnosticians whose professional competence is at stake whenever an Individualized Education Plan (IEP) is questioned, and parents whose first concern is the appropriate education of their handicapped child.

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A special tribute must be paid to the members of the NSBA Federal Relations Network and to the Forum of Federal Program Coordinators. The members of the Network are school board members selected by their respective state associations to represent each of the nation's 435 Congressional Districts. The Federal Program Coordinators have a day-to-day working knowledge of federal education programs at the local level. The members of these groups gave generously of their time and expertise to provide the data for this research. Their continued commitment provides NSBA with an invaluable resource for a variety of needs. This report could not have been compiled without their answers to the survey questions, as well as their patience with follow-up calls for the clarification of many difficult points.

Summary

The National School Boards Association (NSBA) has collected data during February and March, 1979, to assess the costs imposed on local school districts by the special education needs of the handicapped. Its report, A Survey of Special Education Costs in Local School Districts, includes these findings:

- Cost differentials between special education and the regular programs of the schools will continue to widen, at least within the next several years.
  - Local school district budgets for special education are rising at the rate of 14 percent per year, or twice as rapidly as instructional and operating budgets (7 to 8 percent per year).
  - Nationwide, special education budgets are equivalent to 11.5 percent of instructional budgets. This proportion has been rising by nearly a percentage point each year.
- The vast majority of school districts must place some of their handicapped pupils in instructional settings outside the district's own facilities. NSBA found the following cost guidelines to be valid regardless of district location, size or per-pupil expenditure.
  - The cost of placing a handicapped student in a non-residential setting is equivalent to four times the average per-pupil expenditure for all students.
  - The cost of placing a handicapped student in a residential setting is eight times the average per pupil expenditure.
- The size of the school district is related to the number of out-of-district instructional placements made, as well as to their cost. Small districts lacking in facilities must plan to place a much larger percentage of their handicapped pupils outside the district. Large districts will place a much smaller percentage, but will pay extremely high fees for many of those for whom the district's facilities are not appropriate.
  - The amount of out-of-district placement declines as school district size increases.
  - The cost of each out-of-district placement increases as the size of the school district increases.
- Local school districts identify federal mandates as the most significant factor contributing to rising special education costs. Similar state mandates are seen to be the second most important factor.

- The cost ratio between the education of the handicapped and so-called regular education is at least two to one, nationwide. This finding by NSBA confirms an earlier estimate by the Office of Education. However, NSBA's finding may be underestimated, for the following reasons:

  - School districts often do not calculate all of the costs, such as transportation, imposed by the education of the handicapped.

  - NSBA's national average cost ratio was calculated on a district by district basis. If the larger districts, in which costs are higher, had been weighted statistically for their larger enrollments, the nationwide ratio would have risen above two to one.

- The larger school districts (10,000 or more pupils) pay the highest costs for the education of the handicapped. The cost ratio between handicapped and regular education in such districts is 2.10 to 1 or more. Significantly, these districts educate 45 percent of the nation's public school children.

- Nationwide, the NSBA respondents identify approximately 9 percent of their total enrollment as in need of special education services as defined by P.L.94-142.

  - There are, however, dramatic differences among school districts as to the proportion of pupils identified as handicapped. The nationwide average of 9 percent obscures the fact that various districts reported from one percent to as much as 22 percent of their enrollment as handicapped.

- Although almost all school districts can specify the total financial contributions to the cost of special education received from sources outside the district, some find it difficult to allocate the separate state and federal components of this funding.

The school districts surveyed by NSBA are a part of the Association's Federal Relations Network (FRN). The FRN represents nearly every Congressional District in the United States. The data in the NSBA survey reflect responses from districts enrolling 4,671,000 full time elementary and secondary pupils, or 11 percent of the total national enrollment.

The National School Boards Association is a federation of state school board associations. Through its state associations, NSBA represents 97 percent of the local public school districts in the United States.

A Survey of Special Education Costs in Local School Districts

Introduction

The Education for All Handicapped Children Act (P.L. 94-142) establishes a mandate requiring local school districts to provide a "free appropriate education" to all handicapped children and youth in their jurisdictions, between the ages of three and 21 years. If they are unable to meet the mandate through the use of their own educational facilities, they must provide for placement in either residential or non-residential institutions outside the district. This mandate translates into high expenditures for all school districts, not sparing those already facing several revenue shortages.

The U.S. Office of Education has found that it costs twice as much to educate a handicapped pupil than a member of the "regular" student population. The NSBA survey reported in this paper validates this finding, but with the suggestion that it may be somewhat low. The annual per pupil expenditure for regular education in fiscal 1980 will average $1,819 nationwide, according to USOE estimates. Given the ratio of two to one, the result is an average cost of $3,638 annually for handicapped pupils. The "excess cost," therefore, is $1,819. These estimates are corroborated by NSBA's survey. To help defray these costs, the federal government will contribute $218 per child in fiscal 1980 (or slightly less).*

NSBA's survey is intended to assess the impact of P.L. 94-142 on local school districts. This report of the survey results may be read in conjunction with NSBA's testimony on P.L. 94-142 before the House Subcommittee on Elementary, Secondary and Vocational Education and the Subcommittee on Select Education on May 27, 1979.

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*P.L. 94-142 is advance funded. The fiscal 1980 funds flowing to the district were appropriated in the 1979 appropriations legislation. Because of the arithmetic of allocations, funding may be $211 per child rather than $218.

About the Survey Sample

NSBA received usable returns from 261 local school districts. These districts have, among them, a total enrollment of 11 percent of the total national enrollment as reported by the National Center for Education Statistics (NCES) for late 1977.* Districts of all sizes are represented in the NSBA sample, ranging from one with 172 pupils to another with almost one-half million.

Broad geographical coverage was assured for the study by distributing the survey questionnaire through members of NSBA's Federal Relations Network (FRN). The Federal Relations Network is composed of active school board members. There is at least one Federal Relations Network member in each Congressional District who is informed of the status of education issues at the federal level. When necessary, the FRN members provide information to their respective members of Congress. The FRN also serves as a two-way channel of communication between the local school district level and the national Association on matters of interest to education, and its members are prepared to respond to inquiries, such as the present survey, from time to time. NSBA is reasonably sure that the survey sample is not either overburdened with districts in which there is an unusual degree of interest in the handicapped, or in which problems around special education have become so acute, for some reason, that they are not typical of ordinary school systems.

For purposes of analysis, the respondent school districts are classified into seven groups by size of pupil population in membership (full-time enrollment). These groups follow the size classifications used by the National Center for

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*The districts in the NSBA sample reported a total enrollment of 4,670,785 at the time of the survey. For the 1978-79 school year, NCES has estimated the total national enrollment to be 43,444,144 pupils.

Education Statistics (NCES) with one slight modification. Where NCES often makes a distinction between school districts with fewer than 300 pupils and those with between 300 and 599, the smaller systems have been folded into one group in this data analysis (See Table 1.)

Table 1. Distribution of school districts by size of enrollment, nationwide and in the NSBA survey population

	All Districts *		NSBA Sample	
Size of District	Number	Percent	Number	Percent
Up to 599	6,619	41.8%	10	3.8%
600 to 999	1,864	11.8	12	4.6
1,000 to 2,400	3,463	21.9	49	18.8
2,500 to 4,999	2,067	13.1	47	18.0
5,000 to 9,999	1,104	7.0	53	20.3
10,000 to 24,999	530	3.3	49	18.8
25,000 or more	187	1.2	41	15.7
All Districts	15,834		261	

* Adapted from Education Directory: Public School Systems 1977-78, National Center for Education Statistics, 1978.

As Table 1 shows, the NSBA sample is somewhat high at the larger district end (25,000 or more pupils), and low with respect to the smaller districts (599 or less pupils) as compared with NCES data. Because funding for the education for the handicapped is allocated on a per-pupil basis, and because special education is essentially a matter of serving individual students, this tendency to concentrate on the areas where the pupils actually are is not inappropriate. There are a great many small districts in the United States that educate fewer than 600 pupils (41.8 percent of all school districts).* Yet, these small systems educate only 3.5 percent of our public school population. Consequently,

*NCES data.

their inclusion in greater numbers would have had but little effect on the survey results. On the other hand, the larger districts with 10,000 or more pupils account for only 4.5 percent of all districts numerically, but educate 45 percent of the total public school population.

The basic costs of education tend to be lower in the Southern and Central regions. However, the "excess costs" attributable to the education of the handicapped and the ratio between "regular" education and special education costs are more dependent on the size of the district than on the area in which it is located. At the local level, where revenue and expenditure problems must be resolved, the relative cost of the education of the handicapped is at least as important as the actual cost in dollars. As shown in greater detail elsewhere, the larger districts almost always face the least advantageous cost ratio between the education of the handicapped and regular education (more than two to one), with little regard to whether they are basically "high" or "low" per-pupil expenditure systems.

Location has an effect, however, where pupils must be placed in facilities other than those operated by the district itself. If an area possesses sophisticated and costly treatment facilities for certain handicapping conditions, some local districts find themselves paying higher tuitions for at least a few of their pupils. Where the available facilities are simpler and less costly, the outplacement charges may be less burdensome and the out-of-district placement option more attractive.

Definition of "Special Education"

The term "special education" as used in this survey is defined consistent with the special instructional needs of the range of individuals included within

the definition of "handicapped" in P.L. 94-142 and similar state laws.* By some authorities, the term "special education" has been restricted to refer to children who must be cared for, at least part of the time, in settings outside the normal classroom, either in facilities operated by the district or in external placements. Employing this narrow definition, the National Center for Education Statistics reported that special education pupils accounted for approximately 1.8 percent of the total number of pupils in membership in 1977-78.** The same proportions had been reported for 1975 and 1976.

Such pupils are only a small part of the handicapped population affected by P.L. 94-142, and thus the older NCES usage does not facilitate the distinctions that must be made. In this report, the term "special education" indicates the process by which a local school district provides a "free and appropriate education" for handicapped students.

How Many Handicapped Pupils?

The percentage of elementary and secondary pupils to be identified as handicapped continues to be a much disputed point. As early as 1970, the National Center for Education Statistics found 10.4 percent of our children and youth to be handicapped under the definitions in vogue at that time. Carried out in the days before mainstreaming, this study included seriously handicapped persons under

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*Section 802(1) of the Education of the Handicapped Act, as amended by the Education for All Handicapped Children Act (P.L. 94-142) states: "The term 'handicapped children' means mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or other health impaired children or children with specific learning disabilities who by reason thereof require special education and other related services."

**National Center for Education Statistics. Statistics of Public Elementary and Secondary Day Schools: 1977-1978 School Year, 1978.

institutional care. Somewhat fewer than 10.7 percent would have been transferrable to the public schools. The Office of Education (USOE) has insisted for several years that the correct incidence under P.L. 94-142 should be 12 percent, or 5.8 million pupils, even though the proportion actually reported to the Office for the 1978-1979 school year was only 9 percent nationwide. A few states, USOE says, have reported up to 11 or 12 percent. This appears to be the basis for USOE's continuing confidence it its estimate of 12 percent.

The NSBA survey indicates that the current incidence is slightly under 9 percent nationwide (see Table 2). This is more than the percentage reported to USOE until recently. And, it is well below the proportion (12 percent) the Office of Education thinks ought to be identified if public school personnel searched with due diligence. If NSBA's estimate of 9 percent is correct, and it has received corroboration from the most recent USOE child count data, the number of pupils now understood to be handicapped is about 3.9 million nationwide (9 percent of current national enrollment). This number is still well short of the 5.8 million USOE expects to identify at some time in the future. It must be emphasized that the percentages have been rising, although more slowly than

Table 2. Special education enrollment as percentage of total enrollment, by size of district, in NSBA survey sample

Size of District	Total Enrollment	Special Education Enrollment	Special Education as Percent of Total
Up to 999	14,331	1,030	7.2%
1,000 to 2,499	81,361	6,089	7.5
2,500 to 4,999	172,564	12,929	7.5
5,000 to 9,999	381,985	27,938	7.3
10,000 to 24,999	792,448	65,540	8.3
25,000 or more	3,228,096	289,540	9.0
All Districts	4,670,785	403,183	8.6%

Table 3. Special education enrollment as percentage of total enrollment, by type of community, in NSBA survey sample

Type of Community	Total Enrollment	Special Education Enrollment	Special Education as percent of total
Rural	266,234	22,009	8.3%
Small Town	360,439	28,736	8.0
Suburban	1,280,378	114,664	8.9
Urban	2,763,734	237,604	8.7
All Districts	4,670,785	403,183	8.6%

many observers expected. The increasing sophistication of staff in the use of diagnostic evaluations, in addition to improvements in the effectiveness of these identification tools, must contribute very substantially to the growing proportion of pupils being identified as handicapped. This is particularly true in the area of learning disabilities, where conditions once vaguely defined are becoming open to description and diagnosis.

Although the proportion identified as handicapped rises somewhat with district size (from 7.2 percent in the small districts to 9 percent in the largest), the differences appearing in Table 2 are not great. And, when the incidence in terms of type of community is examined (see Table 3), there is almost no apparent difference in the proportion of identified handicapped pupils from one to another, with the rural areas designating substantially as many as did the cities.

The actual percentages of handicapped children identified by the individual districts ranged from one percent, reported by five districts in the sample, to 22 percent, reported by one district (see Table 4). As the table shows, the 8 and 9 percent estimates clustering around the median represent only 29 percent of the respondent districts. Therefore, the average percentages shown in Tables 2 and 3 actually obscure the wide variation found among school districts.

Table 4. Special Education enrollments: proportion of pupils identified as handicapped. Distribution by percentage of districts reporting

Pupils Identified as Handicapped	Number of Districts Reporting	Percentage of Districts Reporting
1%	5	2%
2	9	3
3	16	6
4	25	10
5	20	8
6	30	11
7	20	8
8	41	16
9	33	13
10	16	6
11	12	5
12	14	5
13	11	4
14	4	2
15	7	3
16	2	1
18	1	less than 1%
22	1	less than 1%
30*	1	less than 1%

* This high percentage appears to have been an error on the part of the respondent district. However, estimates of the incidence of all handicaps among school-children have, at times, run even higher. Various authorities, reporting between 1954 and 1976, have suggested prevalence rates running from 8 to well over 30 percent (SRI International, Studies of Handicapped Students, 1978).

That such a range should exist suggests that the law (P.L. 94-142) is being implemented with different levels of understanding and, quite possibly, commitment to the totality of its objectives.* Although examination of the returns shows that the larger districts are somewhat more consistent and closer to agreement on an incidence of about 9 percent, there are, nevertheless, some returns in which school systems with more than 25,000 pupils reported twice as many handicapped children as others with approximately the same enrollments. As an example, one district with 37,323 pupils reported 4,996 handicapped, or 13 percent, while another with 37,000 pupils identified only 2,350, or 6 percent.

The most recent findings by the Office of Education with respect to nationwide incidence are substantiated by NSBA's survey. In its annual "child count," issued on April 17, 1979, USOE's Bureau of Education for the Handicapped (BEH) found that 3,712,628 children and youth between the ages of three and 21 were receiving special education and related services on December 1, 1978. This works out to 9 percent of total school population, nationwide. The number of handicapped pupils has risen by 198,000 from the year before, BEH says, despite a decline in overall enrollment. The Bureau is not known to take cognizance of the widely varying percentages existing from school district to school district. The different percentages reported from state to state are fully evident to the Office of Education. For example, although the numbers of handicapped rose in most states since the last funding period, according to BEH, there are some in which they declined, including New York and Texas. The BEH promises to investigate this curious fact.

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*The problem is complicated by the fact that state agencies, rather than the federal government, largely determine the criteria for identification. In addition, we are aware that a variety of demographic factors, not yet well investigated, have a bearing on the numbers of handicapped identified by, or enrolled in, districts with differing socioeconomic characteristics.

The annual child count governs the allocation of funds to the states under P.L. 94-142, and, ultimately, the amounts of assistance available to the school districts. According to the BEH, the states will receive about $211 per child when the money is obligated July 1.*

With the Office of Education insisting that at least 12 percent of all public school pupils are handicapped, and the nation's school districts actually reporting from one to 22 percent, it is clear that "handicapped" is a highly elastic concept. The considerations defining it must often involve state legislation and policy, expenditure levels, tax resources and other factors over which local boards have little control.** There is pressure to include more children under P.L. 94-142. Given the breadth of the "handicapped" definition and the increasing expertise that public schools are achieving in diagnosis, USOE's 12 percent may eventually be reached or surpassed.

Per Pupil Cost of Educating the Handicapped

The Office of Education estimates that the average per pupil cost of educating handicapped children is about twice that of educating the non-handicapped portion of the school pupulation. NSBA findings substantiate this estimate, and also suggest that the actual cost ratios may be higher in many areas

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*These funds were appropriated in the fiscal 1979 Appropriations.

**NSBA's survey data were not adequate to test an interesting hypothesis; namely, that as more handicapped pupils are identified in a district (or state), the added units represent less serious handicaps and are progressively less costly to educate. This, if correct, would tend to explain the steady growth in the handicapped totals.

Another question that calls for investigation is that of remediable as against chronic handicaps. Many conditions can be overcome, or greatly ameliorated, with care. At what point is a child removed from the child count? What is the effect on overall incidence, and on the allocation of funds?

Merely by averaging the annual per pupil expenditures reported by the respondent districts, without weighting statistically for the size of the districts, NSBA finds that the cost ratio between the education of the handicapped and "regular" education was 1.96 to 1 for the total sample (see Table 5), very much as the USOE had found. Unlike the Office of Education, NSBA related cost ratios to district size. As Table 5 shows, the excess cost ratio is relatively high in the smaller districts (which educate very few of our children), falls somewhat in the moderate-size districts, and rises in the larger districts in which most of our public school pupils are concentrated. The range between the moderate-sized and larger districts might be even wider, but for the larger districts' ability to handle many pupils within their own facilities and thus limit their external placements. Despite this advantage, most of the economies of scale that we observe in the transition from small to moderate sized districts are wiped out in the larger districts by the latters' higher costs, administrative overheads, and generally more expensive resources and services.

Table 5. Annual per-pupil expenditures and cost ratios, by district size

Size of District	Average Annual Expenditure for Regular Education	Average Annual Expenditure for Special Education	Ratio Between Special and Regular Education
Up to 999	$1,334	$2,638	1.98 to 1
1,000 to 2,499	1,613	2,869	1.78 to 1
2,500 to 4,999	1,413	2,769	1.95 to 1
5,000 to 9,999	1,537	2,987	1.90 to 1
10,000 to 24,999	1,412	2,937	2.08 to 1
25,000 or more	1,459	3,090	2.12 to 1
All Districts	$1,504 *	$2,954	1.96 to 1

* For the 1978-79 school year. The average per pupil expenditure in the NSBA sample is very similar to the USOE's national average of $1,561 reported in its report, Progress Toward a Free Appropriate Public Education, January, 1979.

By giving the respondent districts equal weight regardless of size, the NSBA averages obscure that fact that the larger districts not only identify a larger proportion of handicapped children in their student populations (See Table 2), but must educate them at the least advantageous cost ratios. It is very likely that the nationwide ratio of two to one for districts of all sizes would be higher if the high concentration of pupils in the larger districts had been taken into account through the use of appropriate statistical techniques. For technical reasons, this was not done in the NSBA survey, in which the annual expenditures reported by the smaller and moderate-sized districts are averaged on the same basis as those reported by larger districts.

The USOE Bureau of Handicapped states that the average per pupil expenditure for the 1978-1979 school year was $1,561.* NSBA's estimate for the current year is $1,504 (see Table 5). The Office of Education, reportedly using NCES figures as a starting point, has predicted that the average per pupil expenditure for regular education will reach $1,819 in fiscal 1980 (the 1980-81 school year).

This estimate is equivalent to an inflation rate of 12 percent over two years, far less than the general rate of inflation in the economy, and a bit behind the rate at which our respondents' operating and instructional budgets have been rising since the 1976-77 school year (see Tables 6 and 7). Special education budgets have been rising much more steeply (see Table 8). The cost ratio between the education of the handicapped and "regular" education will continue to widen, regardless of cost in dollars.

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*The National Center for Education Statistics has estimated that the average per pupils expenditure for the 1977-78 school year, nationwide, is $1,627. The difference between the NCES and NSBA data probably represent the factor of underestimation and points of methodology. For example, telephone follow-up showed that many school districts calculate their per-pupil expenditures according to their instructional budgets, rather than operating budgets.

Table 6. Percentage increases in operating budgets, NSBA sample population

Size of District	1976-77 Operating Budgets	1977-78 Operating Budgets	Percent Increase	1978-79 Operating Budgets	Percent Increase
Up to 999	$ 20,452,232	$ 25,825,639	26.3%	$ 30,477,351	18.0%
1,000 to 2,499	120,685,720	141,515,269	17.3	150,903,794	7.6
2,500 to 4,999	233,420,201	268,618,044	15.1	296,325,487	10.3
5,000 to 9,999	699,702,753	828,622,162	18.4	874,073,570	5.5
10,000 to 24,999	1,046,749,792	1,159,423,504	10.8	1,243,583,389	7.3
25,000 or more	5,225,830,335	5,630,978,940	7.8	6,005,627,749	6.7
All Districts	$ 7,346,841,033	$ 7,964,992,558	8.4	$ 8,600,985,340	8.0

Table 7. Percentage increases in instructional budgets, NSBA sample population

Size of District	1976-77 Instructional Budgets	1977-78 Instructional Budgets	Percent Increase	1978-79 Instructional Budgets	Percent Increase
Up to 999	$ 10,467,598	$ 13,216,942	26.3%	$ 14,831,980	12.2%
1,000 to 2,499	70,693,717	86,267,834	22.0	92,352,649	7.1
2,500 to 4,999	137,165,647	156,622,252	14.2	174,740,595	11.0
5,000 to 9,999	404,136,343	426,693,645	5.6	467,955,723	9.7
10,000 to 24,999	667,890,019	738,108,531	10.5	786,922,310	6.6
25,000 or more	3,685,004,318	3,927,378,385	6.6	4,191,146,710	6.7
All Districts	$ 4,975,357,294	$ 5,348,287,590	7.5	$ 5,709,949,967	6.8

Table 8. Percentage increases in special education budgets, NSBA sample

Size of District	1976-77 Special Ed Budgets	1977-78 Special Ed Budgets	Percent Increase	1978-79 Special Ed Budgets	Percent Increase
Up to 999	$ 390,659	$ 691,830	77.1%	$ 1,355,817	96.0%
1,000 to 2,499	3,814,098	5,116,812	34.1	7,773,715	32.4
2,500 to 4,999	8,966,380	11,217,890	25.1	14,903,621	32.9
5,000 to 9,999	30,655,800	38,707,109	26.3	45,709,857	18.1
10,000 to 24,999	58,121,164	73,857,921	27.1	88,556,941	19.9
25,000 or more	400,701,885	444,490,843	10.9	499,167,312	12.3
All Districts	$ 502,649,986	$ 574,081,405	14.2	$ 656,467,250	14.3

Increases in Special Education Budgets

Financial information from the respondent districts shows, quite strikingly, that special education budgets in the public schools have been rising approximately twice as fast as their operating and instructional budgets (see Tables 6, 7 and 8). In these tables, the percentage increase columns refer to the rate of increase from the 1976-77 school year to the 1977-78 school year, and from the 1977-78 school year to the 1978-79 school year.

The tables show startling increases in the special education budgets of the smaller districts (as much as 96 percent in one year). Spot checking by telephone confirmed a suspicion that this was, to some extent, an artifact produced by accounting practices in the smaller districts. NSBA found that many small districts with simple financial structures either did not have separate budgets for the handicapped as recently as last year (some don't have them yet), or had not been allocating the full costs of special education to appropriate accounts. Most of the larger districts recognized the need for at least some special education some time ago, and their budgetary practices are more complete.

The very small districts have little statistical weight, and their inclusion or exclusion would change the results of this report by little more than a percentage point, perhaps not visibly. The failure to allocate costs properly is not limited to small districts, however, Space, administrative and instructional time, and particularly transportation for the handicapped all tend to be underestimated and underbudgeted by districts of all sizes.*

*As NSBA is well aware, the tendency to underestimate the cost of special education does not explain the observation that budgets in all three categories--operating, instructional and special education--appear to increase from year to year at lower rates in the larger districts. (See Tables 6, 7 and 8.)

Table 9. Special education budgets as percentage of instructional budgets*

Size of District	School Years 1976-77	1977-78	1978-79
Up to 999	3.7%	5.2%	9.1%
1,000 to 2,499	5.4	5.9	8.4
2,500 to 4,999	6.5	7.2	8.5
5,000 to 9,999	7.6	9.1	9.8
10,000 to 24,999	8.7	10.0	11.3
25,000 or more	10.9	11.3	11.9
All Districts	10.1%	10.9%	11.5%

* See Tables 7 and 8 for the dollar amounts reported for instructional budgets and special education budgets in these school years.

Special Education in Relation to Instructional Budgets

Another way to assess the cost of handicapped education is to consider special education budgets in relation to instructional budgets (rather than operating budgets, since special education costs are mainly a matter of personnel rather than capital investment).

Table 9 shows that special education consistently claims a larger proportion of the total instructional budget in the larger districts, and that special education budgets have been growing, relative to instructional budgets, by nearly a percentage point each year.

Financial Assistance

Now that the federal government and many states have mandated appropriate education in the public schools for handicapped children and youth, and have offered some degree of assistance with funding the additional costs, NSBA would expect substantially all local districts to report receiving some financial aid from external (non-district) sources. Incredibly, this is not the case.

Table 10. Districts receiving outside aid from any source, NSBA survey sample

	Receiving Outside Aid		Not Receiving Outside Aid	
Size of District	Number	Percent	Number	Percent
Up to 999	15	82%	5	18%
1,000 to 2,499	37	79	10	21
2,500 to 4,999	36	80	9	20
5,000 to 9,999	47	90	5	10
10,000 to 24,999	41	87	6	13
25,000 or more	40	99	1	1
All Districts	216		36	

In the NSBA survey, about a fifth of the smaller districts (enrollments under 1,000) reported that they did not receive state or federal assistance for the education of their handicapped pupils. The proportion of districts receiving outside aid increases with student population. Although a few of the moderate-sized districts reportedly did not receive aid, very nearly all of the urban areas and larger suburbs receive funding from the federal government, and from state sources where they exist (see Table 10).

Districts of intermediate size frequently report that their assistance came from only one source, state or federal, not both. From among the districts reporting that they received outside funding from any source, 16 percent stated that they received state funding only, and 17 percent reported that their aid was exclusively federal. The remaining 67 percent reported that they were drawing aid from both state and federal programs, in varying amounts and proportions. The interesting statistic to NSBA, however is that 12 percent of the respondents reported that they received no outside funding, either state or federal, to aid in the costs incurred when providing services to this student group. The Federal Relations Network, which is the group surveyed, is provided by NSBA with a great deal of

information on federal programs with implications for the local level operations. It is a curious fact that this percentage of schools reported receiving no federal aid. The fact raises several questions. One, are the districts receiving money but are unaware of it? Two, are there a number of school districts, particularly the small school districts, not receiving the available funds, and if so, why not? Is the reason that the $7,500 regulation requirement eliminates the participation of small school districts? Three, if it is true that these schools are not receiving funds and assuming that they would accept them, is this percentage typical of other federal programs?

The districts in the NSBA sample expect to receive a total of $269,716,000 in combined state and federal assistance for the education of handicapped children and youth in the 1979-80 school year. Most of the respondents reported their combined amounts of outside assistance in quite specific figures, and therefore reasonable confidence can be placed in these figures as a realistic estimate.

The breakdown between state and federal sources of funding is a different matter. Confusion over this point is apparent when similar districts, in the same state, report very different patterns of support. Interestingly enough, such districts usually report roughly similar totals for outside support, and disagree only in the respective proportions. One source of difficulty is that some of the respondents conceived of P.L. 94-142 funding as state assistance because it come to them through a state agency.

In some states, programs for the education of the handicapped are provided through intermediate districts such as New York's Boards of Cooperative Education Services (BOCES). Where this is the case, most of the respondent school districts reported much lower excess costs for handicapped education. While this is correct

from their standpoint, since the costs of such services are not charges against the districts, the overall result to the survey was that the total costs of educating the handicapped were underestimated to some extent, and the ratios between handicapped and regular education were made to seem somewhat closer than they actually are. BOCES programs, along with state transportation, testing and other services, are part of the social cost of educating the handicapped, and should be accounted for as part of the burden imposed by the federal mandate. While the effect of their omission may have been small, it is another instance of the tendency toward underestimation that has characterized the NSBA survey responses.

How great is the federal contribution? On the basis of survey data, the ratio between state and federal aid is about five or six to one. Combined state and federal assistance reported by our respondents totalled $269,716,000 for 1978-79, and their special education budgets will amount to $502,649,986 in the same year. Since they educate about 11 percent of the nation's children, the nationwide cost of special education for 1978-79 can be projected to be in the neighborhood of $5 billion. Also on the basis of these figures, it can be roughly estimated that the federal government will contributed about 10 or 11 percent to the cost of educating the handicapped in the respondent districts.

Out-of-District Placement

The law requires that each handicaped child or youth in the district, aged three through 21, must be provided a free appropriate education. If the district lacks the facilities to do this, some arrangement must be made for residential or non-residential care and education in some other institution. Such "out-of-district" placement has been found necessary by 81 percent of NSBA's respondent districts (see Table 11). Small districts and those in rural areas make the most use of out-of-district placement, and place the largest proportion of handicapped

pupils. Both the use of out-of-district placement and the proportion of pupils placed decline with increasing district size, as the table shows. The larger districts are the most likely to avoid the use of external placement, and place the smallest percentages of pupils where they do use it (some large districts reported that they operate facilities that had been, until recently, managed by non-educational institutions). The table conceals the fact that all very large districts (50,000 or more enrollment) place some pupils in non-district settings. Where enrollments are very high, a tiny percentage of unusual handicaps will be found for which the district's facilities will not be appropriate.

Table 11, which illustrates the relatively lower need for out-of-district placement on the part of the intermediate and larger-sized districts, should be read in conjunction with Table 12. Table 12 indicates that the average per-pupil expenditures for both residential and non-residential placement rise sharply with district size. While the larger districts make less relative use of external placement, the placements they do make are of the more expensive kinds.

Table 11. Need for out-of-district placement, by numbers and percent placed

Size of District	Need for Outplacement		Number of Pupils Placed	Percentage of Special Education Enrollment *
	Yes	No		
Up to 599	9 (all)	--	56	11%
600 to 999	10 (91%)	1 (9%)	76	14%
1,000 to 4,499	40 (83%)	8 (17%)	399	7%
2,500 to 4,999	37 (82%)	8 (18%)	872	7%
5,000 to 9,999	42 (82%)	9 (18%)	1,874	7%
10,000 to 24,999	40 (83%)	8 (17%)	1,808	3%
25,000 or more	27 (68%)	13 (34%)	7,164	2%
All Districts	205 (81%)	47 (19%)	12,249	3%

* Always less than one percent of total district enrollment

Table 12. Out-of-district placement: average per pupil cost, non-residential and residential by size of district

Size of District	Non-Residential	Residential
Up to 999	$3,384	$6,134
1,000 to 2,499	3,465	7,472
2,500 to 4,999	3,857	9,548
5,000 to 9,999	4,504	5,996
10,000 to 24,999	4,612	8,550
25,000 or more	4,047	18,632
All Districts	$3,978	$9,405

Tables 12 and 13 suggest that non-residential placement may not always be vastly more expensive than educating some handicapped pupils within the district (residential placement is another matter). Table 12 shows that the average cost for a year of non-residential placement is $3,978, but the wide ranges given in Table 13 make it clear that many fees are well below this figure. According to Table 5, the annual expenditure for special education in general averages $2,954. For the small and medium-sized districts, where system-operated facilities are lacking, out-of-district placement may be an attractive alternative.

At another point in this paper, it was reported that the percentage of pupils identified as handicapped in local school districts varies over a wide range. The percentage of handicapped pupils placed in outside facilities may vary even more widely, with some districts placing many times more pupils than other, similar districts. The NSBA survey gives little insight into this, and it can only be supposed that the choice of placement policy reflects many factors, such as the availability of placement resources, relative costs, the tradition of the community and, very likely, the different policies developed by state agencies.

Any analysis of the cost of out-of-district placement is complicated by the wide range of cost experience reported, by variations in the extent of use of out-placement, and by the extensive overlap in cost between residential and non-residential placement. Although our respondents were asked to report the numbers of pupils placed outside the district, they were not asked to distinguish between residential and non-residential placement in terms of numbers, or to break down their costs by numbers of pupils falling into various ranges. Additional research will be needed to make a reliable estimate of the nationwide cost of out-of-district placement, and to relate it to local budgets for special education.

Although the very highest costs are for residential placement, non-residential education and care can be expensive. Further, costs reported at the extreme ranges, either high or low, must be considered with caution. Where a district reports a placement expense of only a few hundreds of dollars, some contribution from another agency or institution may have been overlooked, or the cost may not have been directly chargeable to the district under state policy. One or two very high residential tuitions, running to $75,000 annually, were included in the tables even though third party payments may have been involved, since such support tends to be only temporary, and school districts must bear the responsibility over the long run.

Because the average per pupil cost figures have a limited usefulness (Table 12), another way was devised to describe the impact of out-of-district placement. Respondents were asked to report the highest and lowest costs experienced with both residential and non-residential programs for out-of-district placement. In order to offset the high and low extremes, Table 13 gives the averages of the highest and lowest 20 percent of reported costs in each of four possible categories: lowest non-residential, highest non-residential, lowest residential, and highest residential. Ranges and simple averages are presented separately.

Table 13. Annual cost of residential, non-residential out-of-district placement

Lowest Non-Residential Costs Reported	
Average of lowest 20%	$992
Average of highest 20%	$4,427
Range of costs	$473 to $6,759
Simple average	$2,473
Highest Non-Residential Costs Reported	
Average of lowest 20%	$2,051
Average of highest 20%	$11,421
Range of costs	$907 to $17,890
Simple average	$6,111
Lowest Residential Costs Reported	
Average of lowest 20%	$1,192
Average of highest 20%	$11,888
Range of costs	* $372 to $29,000
Simple average	$5,040
Highest Residential Costs Reported	
Average of lowest 20%	$2,258
Average of highest 20%	$29,462
Range of costs	* $372 to $75,000
Simple average	$14,353

* Several small districts reported residential placement costs of less than $500 annually. If these far from typical experiences are excluded, the ranges of costs for residential care would begin at about $1,000 for the lowest reported and around $2,000 for the higher category.

The NSBA survey instrument did not specify the year for which costs should be given. Consequently, some of the respondents appear to have reported their "lowest ever" and "highest ever" costs, without regard to when they were incurred. While the low figures tend to represent the experience of two or three years ago, the high figures are current and fully reflect inflation.

Factors Increasing the Cost of Educating the Handicapped

Budgets for special education have risen much more sharply than our respondents' operating and instructional budgets. While these have either kept pace with our national inflation rate of about 8 percent, or lagged behind, special education budgets have shot up by about 14 percent each year (see Table 8). In an effort to assess local district perception of this disturbing fact, were asked to rank order five factors that could contribute, in varying degrees, to the high and continually rising costs of educating the handicapped.

The five factors to be ranked were inflation, federal mandates, state mandates, local commitment to the education, and increases in the numbers of handicapped appearing in the schools. In Table 14, the percentages indicate the extent to which the NSBA respondents agreed on the relative importance of the factors. Complete agreement would have been scored at 100 percent.

The responses did not always agree with our expectations. It was assumed that "inflation" would be ranked highest by most respondents, but it was rated rather low, with only 15 percent putting it in first place. It may be that

Table 14. Factors contributing to high special education costs, in rank order

	Rank Order *				
Factors	1	2	3	4	5
Inflation	15%	11%	16%	25%	33%
Federal Mandates	36%	32%	18%	11%	4%
State Mandates	15%	39%	27%	13%	6%
Local Commitment	7%	12%	16%	36%	30%
Numbers of Handicapped	26%	7%	23%	16%	27%

* From 1, highest order of importance, to 5, lowest in importance

inflation was taken as mere background; the condition against which the even greater rise in special education costs had taken place and must be explained.

"Federal mandates" received the highest vote for first place, and a heavy vote for second place (36 percent and 32 percent). Many school systems had admirable special education programs before the enactment of P.L. 94-142. It is true, however, that school districts did not accept total responsibility for providing a "free and appropriate education" for every handicapped individual before the law came into existence. It was not that they were any less sensitive than any other public institution, but that they saw the responsibility as one to be shared, as it always had been, by a number of public institutions. P.L. 94-142 has given the major responsibility to school districts, and has made heavy expenditures inevitable. Similar state laws account for the selection of "state mandates" as another highly-rated factor.

"Local commitment" on the part of the community was not held to be an important factor by most respondents. "Increases in the number of handicapped pupils" gained an ambiguous response and was balanced between "high" and "low" as a factor. Only about 20 respondents made use of a space appearing on the survey questionnaire for an "other" factor in addition to the five listed. Among these, 15 wrote in "teacher salaries," "collective bargaining demands," or some other statement pointing to teacher unionism as a source of pressure on the costs of special education.

Conclusions

The close agreement between USOE and NCES reports and our own with respect to certain key figures contributes to our confidence in the validity of our results, and the soundness of the sample taken through NSBA's Federal Relations Network. We have substantiated USOE's estimate that 9 percent of our elementary and secondary children and youth have been certified as handicapped, and as requiring special education services. However, unlike USOE, we have found that the proportion of pupils so identified ranges, amazingly, from one to 22 percent from district to district. The NSBA survey also agrees with USOE in finding that annual per-pupil cost of educating a handicapped pupil is, on the average, twice that of educating a regular non-handicapped student. We also found that the cost ratio between handicapped and non-handicapped education increases with district size, and runs well above two to one in the larger cities. Our estimate of the average per-pupil expenditure for "regular" education, $1,504 per year, is close to USOE's estimate of $1,561. The average annual per-pupil expenditure for the education of the handicapped, as reported by our respondents, is $2,954.

Costs for educating handicapped children and youth are rising at a rate twice that of instructional or operating budgets (14 percent as against about 8 percent). Our respondents attribute the increase in special education costs to federal and state mandates, predominantly. While the smaller school districts have experienced the sharpest increases in special education budgets, the larger districts not only identify more handicapped individuals but pay more to educate them.

About 80 percent of our respondents make use of our-of-district placement. The larger districts tend to outplace a smaller proportion of their handicapped

pupils, but pay higher tuitions for those they do place. In general, non-residential placement doubles the cost of educating a handicapped pupil. Residential placements cost about four times as much educating in the school district or if placed in relation to the cost of educating a non-handicapped student, it cost eight times as much to educate a handicapped student in a residential setting as a non-handicapped student in the school district. There is, however, a very wide range of costs for both residential and non-residential placements.

With respect to funding, most of the small and medium-sized districts, and all of the larger districts receive state and/or federal assistance for the education of their handicapped pupils. In general, the ratio between state and federal funding is about five or six to one, and the federal contribution amounts to about 10 or 11 percent of the respondent districts' special education budgets.

As surveys often do, ours has given rise to a number of questions, the answers to which would aid our understanding of the effects of P.L. 94-142.

- What are the dominant factors in state policy that govern the proportion of students identified as handicapped by the local districts?
- What factors, such as cost or locality, contribute to a a school district's decision to place handicapped pupils in out-of-district facilities?
- How can school districts monitor and evaluate resources available for out-of-district placement?
- What is the numerical breakdown between children and youth whose handicaps are remediable and those whose conditions are relatively permanent, and what effect does this have on the so-called child count, and ultimately on the funding made available for handicapped education?
- What is the relationship between the federal and state funding since the enactment of P.L. 94-142? Has state funding increased to aid school districts in educating this costly population or has the state commitment decreased as a result of P.L. 94-142?

- Why are large school district costs for educating the handicapped higher than those of small school districts?
- Why are the costs for educating handicapped students rising so much faster in small school districts as compared to large school districts? Can we expect to see the costs in small districts approximate the large districts costs in the future?

The implementation of P.L. 94-142 has imposed heavy costs in time, money and resources on local school districts, and the monitoring activities of state agencies responsible for its administration have continued to threaten the autonomy of the local communities. The National School Boards Association, while fully endorsing the right of each handicapped child to a free and appropriate education, is concerned about the use of this goal to disguise policies that appear to wear away the ability of the local communities to govern themselves. The goal is a worthy one. It must be used to secure and make use of needed state and federal funding and services. If it is used to erode the judgement of the professional educators and the representatives of the community who serve on our school boards, the educational capabilities of local public elementary and secondary schools will be severely curtailed.